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Charting the Future of Pharmacy

House Government Reform Committee

Field Hearing, St. Louis, Missouri
September 1, 2006

Express Scripts – Who We Are

Express Scripts, Inc. is one of America's largest pharmacy benefit managers, providing the pharmacy benefit for millions of people nationwide through employers, managed-care plans, unions and governmental entities.

Overview

- Headquarters in St. Louis, Missouri
- Major administrative offices in multiple states, including Minnesota, Pennsylvania, Arizona, New Jersey and Florida
- Pharmacy and customer service operations in 10 states
- Canadian operations in Quebec and Ontario
- Employs a work force of more than 13,000 people

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Why Electronic Prescribing?

- ***Improved Quality and Safety*** – Decision support; prevention of medication errors through medication history, prevention of handwriting errors, etc.
- ***Efficiency*** – physician, patient and pharmacy (fewer calls, less rework)
- ***Cost Savings*** – generic utilization, formulary compliance; information re: lower-cost distribution channels
- ***Information at the point of care***

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Why Electronic Prescribing?

- Potential savings from enhanced generic utilization, formulary compliance and reduced adverse drug events
  - 2005 potential savings from maximizing generic utilization estimated at $21.7 billion (Express Scripts, 2006) (for commercially insured population in 48 states for six therapy classes)
  - Additional savings from enhanced generic utilization in Medicare population
- Enhanced efficiency in pharmacy operations, physician offices and payor operations
- Improved patient experience with manage benefits

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Dot.com Electronic Prescribing: The Beginning

- What it had:
  - Entrepreneurs/venture investors
  - Broad market focus - heavy pharma focus
  - Huge green field - success measured by deployments rather than actual use
  - Acceptable premise - dot.com fever/ momentum
- What was missing:
  - Physician value proposition – no critical mass of information
  - Network effect – spotty participation from physicians, PBMs and pharmacies
  - Common infrastructure
  - Industry standards
  - Governmental support

Bottom Line: RxHub model offered eRx its best value proposition – strengthening the model by bringing critical mass of robust information to the point of prescribing

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PBM Industry and eRx

- 3 largest national PBM's shared vision for industry utility to help facilitate electronic prescribing through:
  - transaction standards
  - common infrastructure to carry transactions
  - critical mass of information for vendors/physicians
  - single point-of-contact for vendors
- Founded RxHub in February, 2001
- Continues to add additional PBM/Payors as participants
- Connected or connecting to nearly all players in electronic prescribing today

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Why Payors and PBMs?

- eRx is key to value proposition
  - Basics: eligibility, formulary, Rx history
  - Ability to deliver programs to plan sponsors
- eRx drives industry efficiencies
  - Fewer pharmacy rejects
  - Fewer provider and member inquiries
  - Enhanced pharmacy efficiency – lower cost-to-fill

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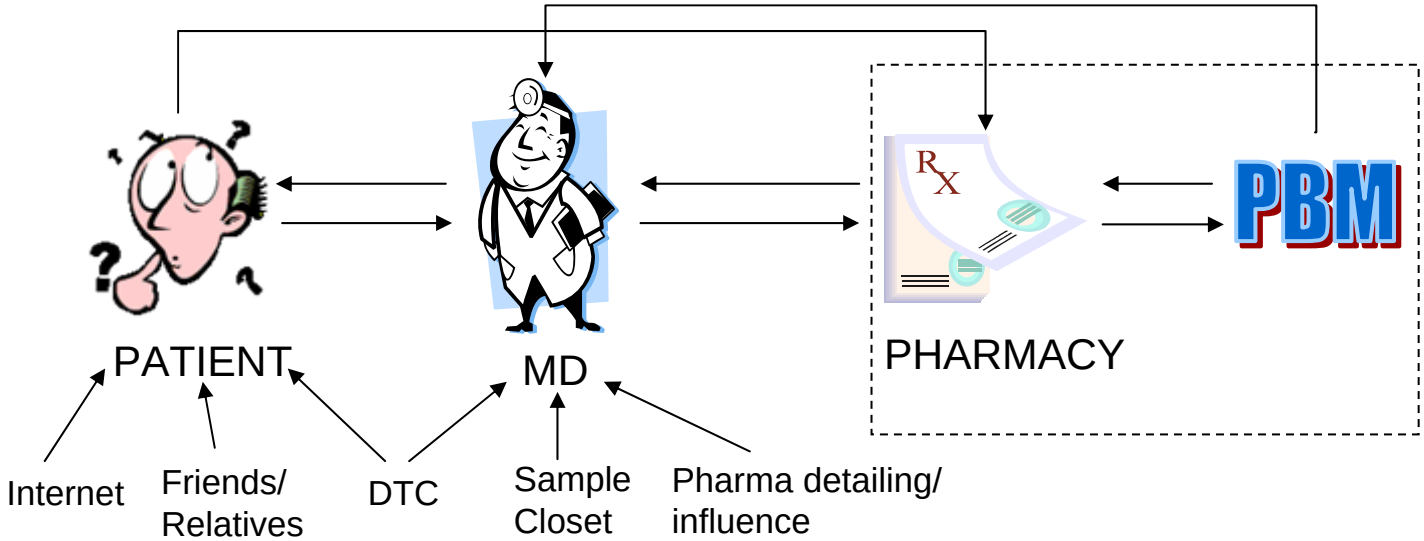
Adding Value

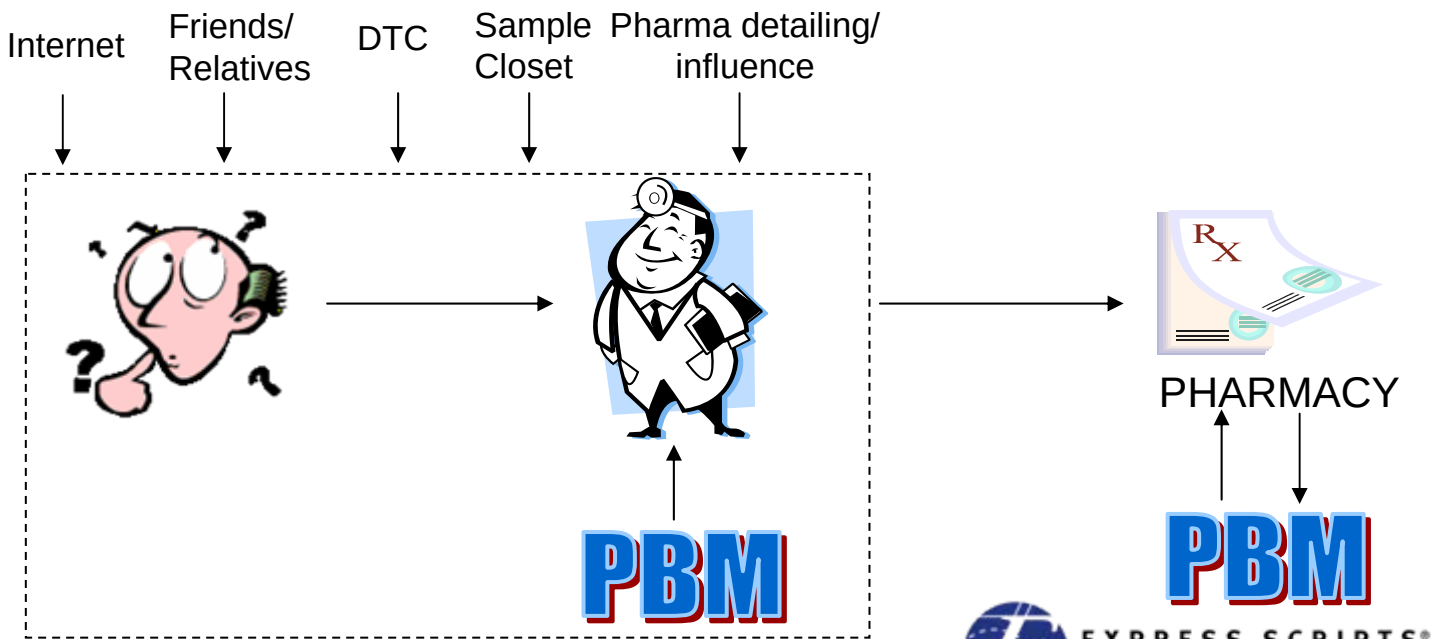
Before RxHub:

Information used to attempt to change decisions *after the fact*



After RxHub:

Information applied *at point of prescribing* – allows informed dialogue



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RxHub: Underpinnings

- Payors/PBMs can only succeed in eRx *together*
- Need to get behind a common model to achieve critical mass
- Utility model facilitates *all players* equally
- eRx *adds* value to managing pharmacy benefit – POS functionality essentially maximized

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Currently Available ePrescribing Functionality

- ***Master Patient Index:*** Contains over 180 million members that can be uniquely identified using 5 demographic elements (First Name, Last Name, DOB, Gender, Zip).
- ***Eligibility:*** Enables prescribers to access patient eligibility, formulary, benefit, and medication history information.
- ***Formulary & Benefits:*** Provides patient specific formulary and benefit coverage information to physicians to prescribe the most therapeutic and cost effective treatment for the patient.
- ***Medication History:*** Provides up to 2 years of PBM drug history for all coverages and includes original prescription and refills. Information can be used to indicate patient compliance, therapeutic interventions, drug-drug and drug-allergy interactions, adverse drug reactions, duplicate therapy and over prescribing.
- ***Prescription Routing:*** Facilitates electronic prescribing between physicians and retail/mail order pharmacies.

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e-Health Momentum

- Medicare Drug Improvement and Modernization Act of 2003 (MMA)
  - eRx recognized as key to managing program expense
  - Inclusion of eRx has increased awareness
  - eRx further accelerated by process to create standards and funding of pilot projects

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e-Health Momentum

- Significant push by HHS
- New stark and anti-kickback exemptions should help promote adoption
- Growing federal and state legislative activity on health information technology
- Statewide and community efforts
- JCAHO Medication Reconciliation Requirement

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Broad Range of Stakeholders will Benefit from Greater Adoption

- Consumers/Patients
- Physicians/Providers
  - Technology Vendors
  - Network Providers
- Payors/PBMs
- Pharmacies
- Hospitals/ER/LTC…
- Public Sector
  - Federal
  - State
  - Regional

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e-Health Momentum Growing, But...

Key Issue: National efforts toward e-health, while driving visibility of the overall topic, may actually slow the adoption of electronic prescribing

Bottom Line: eRx is easier and brings more immediate value than a full-blown interoperable health record, and is achievable now

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EHR vs. eRx

EHR	eRx
•High adoption cost	•Low adoption cost
•Total practice transformation	•Minor process changes
•Financial benefits rely largely on interoperability	•Financial benefits linear –Each physician contributes to system enhancement
•Some products "connected" to provide accurate prescription eligibility, formulary and medication history – many are not yet	• Most existing stand alone products connected for real time prescription eligibility, formulary and medication history

Bottom Line: eRx can provide immediate benefits and is much easier and less expensive to adopt – any mandate should start with eRx

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Preemption Still an Issue: Current State Laws and Regulations

- States have not taken a consistent approach on electronic prescribing. Today there are:
  - States that prohibit or place severe restrictions on electronic prescribing;
  - States that do not address electronic prescribing; and
  - States that set their own standards for electronic prescribing
- Specific state laws and regulations that have hindered the adoption of electronic prescribing include:
  - Requirements of special patient consent to the use of electronic prescribing.
  - Prohibitions on intermediaries facilitating transmission of prescription information (e.g., anti-depot rules)
  - Restrictions on prescription content and format, especially those drafted with only paper prescriptions in mind
  - Absence of a standard on which pharmacists can rely for authenticating the source of electronic prescriptions
  - Varying state privacy laws and restrictions (e.g., requirements that certain drugs be filtered out of medication histories unless the source of the medication history obtains the patient's consent)
  - Rules that require vendors to seek approval of their applications before operating in a state

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Benefits of Federal Preemption to Electronic Prescribing

- States that have not addressed electronic prescribing often have laws and regulations drafted for paper prescriptions that are ill-suited for application to electronic prescriptions. Preempting these laws and regulations with respect to electronic prescribing systems will help reduce costs of interpretation and help drive adoption.
- States that have set standards for electronic prescribing have not done so in a uniform way among states. Preempting these laws and regulations with *comprehensive* uniform standards will help drive nationwide adoption of electronic prescribing.

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Recommendations

- Continue push for comprehensive standards covering all aspects of electronic prescribing – preemptive of conflicting state laws, regulations, pharmacy board rules, etc. (current standards are cursory and apply only to Medicare)
- Leverage standards development organizations (SDO's) for creation AND updating of standards to allow industry to progress without burden of outdated regulations
- Push for adoption of technologies by physicians, with electronic prescribing as logical first step

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